

Saving and Investing

Spend less or Make more are not the only two options.

The Bogglehead's Guide and Cliff Notes of Investing

Steps before you start to invest

1. Graduate from a Paycheck Mentality to the Net Worth mentality
 2. Pay off credit cards and high-interest debts
 3. Establish an emergency fund (easy to access such as a savings, money markets, maybe a CD)
 - a. six months-livings expense
 4. Get insurance (car insurance, health insurance – create a safety net)
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1. Understand risk and reward
 2. Write down your goals
 3. Understand the importance of compound interest
 4. Determine how much you need to invest to reach your goal

Start early and invest regularly

"People need to understand that SAVING is more important in the beginning than finding the best performing investment. Having the ability to 'Pay yourself First', manage your debt load and determine a vision of what you want to accomplish is vital to your success"

Stocks- Ownership interest in a corporation

Some stocks pay a dividend

Bonds -lending a specific amount of \$ to a bond issuer. (giving a loan)

Treasury Issues – backed by US government (TIPS, T-Bills, U.S Savings Bonds)

Government Agency Securities – mortgage backed securities (GNMA, Fannie Mae, HUD, FHA, VA...)

Corporate Bonds – issued by corporations

Municipal Bonds- State and Local Government issued

Mutual Funds – pool money to buy securities (stocks, bonds, money market instruments and others)

Index Funds –attempts to match the return of the segment of the market -minus a management fee

Vanguard's Index 500 seeks to replicate the return of the S&P 500

Annuities – investment with an insurance wrapper (Fixed, Variable, Immediate)

Exchange-Traded Funds – Mutual Funds that trade like stock on an exchange

Taxes – Long Term and Short Term Capital Gains

Retirement Plans

IRA , 401(k), 403(k) pre-tax investment

- watch for administration costs, employer match, tax-free earnings until withdrawal can't touch until retire

Roth IRA - post tax investment

-tax free withdrawals, some restrictions apply, watch associated fees/costs

Just start - Simple Start

Start saving 10% of your income, place it in your savings account

Reach \$500-\$1000 open a CD

Reach \$5000 look into bigger investments

Only when you can be faithful to your budget you can start using a Credit Card

Addison Avenue has a 1% cash back straight into savings

Bank of America has the keeps the change program Shop around